

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 785 – SB 708

February 25, 2011

SUMMARY OF BILL: Exempts from state and local sales tax solar panels purchased exclusively for residential use.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact - \$213,500

Decrease Local Revenue - \$93,800

Assumptions:

- The Department of Revenue (DOR) indicates, based on Energy Information Administration data, the total retail value of solar panels purchased for residential use in Tennessee was approximately \$1,520,000 for 2009.
- Retail sales of solar panels purchased for residential use in Tennessee for FY08-09 were approximately \$1,520,000.
- Based on research by the Fiscal Review Committee staff, the use of green energy has increased approximately 30 percent per year over last three years.
- Retail sales of solar panels for residential use in Tennessee for FY11-12 are estimated to be \$3,339,440 ($\$1,520,000 \times 130\% \times 130\% \times 130\%$).
- A state sales tax rate of 7.0 percent; an average local option sales tax rate of 2.5 percent.
- The recurring decrease in state sales tax revenue will be \$223,761 ($\$3,339,440 \times 7.0\%$).
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments are apportioned a 4.5925 percent share of all state sales tax revenue as state-shared sales tax revenue.
- The decrease in local government revenue as a result of reduced state-shared sales tax revenue will be \$10,276 ($\$223,761 \times 4.5925\%$).
- The net recurring decrease in state revenue will be \$213,485 ($\$223,761 - \$10,276$).
- The net recurring decrease in local government revenue will be \$93,762 [$(\$3,339,440 \times 2.5\%) + \$10,276$].

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc